

DJB pursuant to De Javasche Bank Wet 1922

Do you still recall the Exclusive Right granted by the Dutch Kingdom to Javasche Bank? If you don't, you will learn about this in the previous pages. If you have read it, the following is continuation of such story. We have learned from the history that such Exclusive Right was awarded in 1828 that was effective until 1922.

For the survival of De Javasche Bank, the Dutch Kingdom enacted a Act on 31 March 1922 on De Javasche Bank, namely De Javasche Bank Act. This Bank Act of 1922 was later amended with Act dated 30 April 1927 and was valid through 31 March 1953. During this period, the bank's paid up capital was increased to f 9,000,000. This amount had to be fulfilled within the period to be determined by the Governor General.

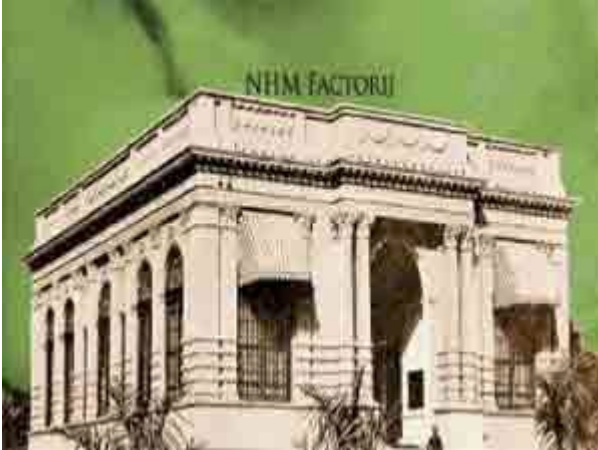
Upon the enactment of De Javasche Bank Act of 1922, DJB's monopoly right as a circulation bank in Dutch Indies began to be restricted by the government. In issuing its monetary policies, DJB first of all had to receive direction from Holland. The Dutch Indies determined the members of DJB's Board of Supervision with the authority to appoint its President, also the opening of new branches and appointment of agents. However, in doing so, DJB had to receive approval from the Governor General. Apart from such authorities, DJB had in reality performed functions and roles that could only be carried out by the central bank (despite the fact that DJB had not officially acted as the central bank). Thus, it could be concluded that DJB was a credit bank with the right to issue bank notes. DJB's scope, functions and duties throughout this period covered the following:



1. Issued bank notes
2. Transferred money, opened current account, time deposit and the like
3. Negotiated foreign drafts
4. Traded precious metal and foreign payment instruments
5. Extended credit to firms and individuals
6. Acted as the government cashier
7. Conducted inter-bank money transfer

In terms of cash payment, Bank Act of 1922 determined that the socialization of issuance and circulation of money no longer carried out by the government but by the issuing bank. The value and characteristics of banknotes that would be circulated had to be announced and officially circulated by the Board of Directors through newspapers. The government also prohibited DJB from circulating banknotes with denomination smaller than f 5 (five gulden). For non-cash payments, DJB reserved the right to conduct inter-bank money transfer as from 1907.

One of the non-kartal payment instruments used in this period was order cash (Instruction to Pay), namely a type of certificate issued by the sub branch of NHM in Medan in US dollar. This order cash was valid not only in Langkat and Deli (East Sumatera), but was valid up to the Malacca territories. But, as a matter of fact, such cash order played the role like a short-term commercial paper of which its nominal



value was prone to falsification. Consequently, the Governor General paid a special attention to the effectiveness of such payment instrument and prohibited to bring in US dollar to East Sumatera.

According to article 20 of the Bank Act of 1922, the structure of DJB's Board of Directors comprised of one president (bank's director) and at least two directors, one of them was secretary. In addition to such position, there were Acting President

I, Acting President II, Acting Director I, Acting Director II. The number of directors was determined by the joint meeting involving the Board of Directors and the Board of Commissioners.

Berikut ini adalah pejabat presiden DJB masa berlakunya Bank Wet 1922 :

1. E.A. Zeilinga (1922-1924)
2. Mr. L.J.A. Trip (1924-1929)
3. Mr. Dr. G.G. van Buttingha Wichers (1929-1945)
4. Mr. J.C. van Waveren (1946)
5. Dr. R.E. Smits (1946-1949)
6. Dr. A. Houwink (1949-1951)



The Board of Commissioners comprised five people who were the shareholders with voting rights (with four shares). They had to be Dutch nationals. The Board of Commissioners oversaw the Board of Directors, verified the annual account and its bookkeeping, and simultaneously gave approval. DJB during this period was made up of seven sections, among others were economic statistics, secretary, bank draft, production and stocks. In addition, DJB was expanding fast with 16 branch offices, namely in Bandung, Cirebon, Semarang, Yogyakarta, Surakarta, Surabaya, Malang, Kediri, Kutaraja, Medan, Padang, Palembang, Banjarmasin, Pontianak, Makasar and Manado, as well as two representative in Amsterdam and New York.

If you wish to know more about the developments of De Javasche Bank, please read "De Javasche Bank during the Japanese Occupation Period (1942-1945). Enjoy reading it.